



Executive Committee Meeting

Tuesday, September 6, 2005

2:00 p.m.

Founders Room, Stanley Library

Ferrum College

Ferrum, Virginia

APPEARANCES:

The Honorable Charles R. Hawkins, Chairman

The Honorable Terry G. Kilgore, Vice Chairman

Mr. Thomas W. Arthur

Mr. Clarence D. Bryant, III

The Honorable Allen W. Dudley

The Honorable Clarke N. Hogan

The Honorable Joseph P. Johnson, Jr.

The Honorable Philip P. Puckett

The Honorable Frank M. Ruff

The Honorable Michael J. Schewel

Mr. James C. Thompson

The Honorable William C. Wampler, Jr.

COMMISSION STAFF:

Mr. Carthan F. Currin, III

Mr. Ned Stephenson, Manager of Strategic Investments

Mr. Timothy Pfohl, Grants Program Administration Manager

OFFICE OF THE ATTORNEY GENERAL

Mr. Frank N. Ferguson, Deputy Attorney General, Counsel to the
Commission

SENATOR HAWKINS: Carthan, call the roll.

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1 MR. CURRIN: Mr. Arthur?
2 MR. ARTHUR: Here.
3 MR. CURRIN: Mr. Bryant?
4 MR. BRYANT: Here.
5 MR. CURRIN: Delegate Byron?
6 DELEGATE BYRON: (No response.)
7 MR. CURRIN: Delegate Dudley?
8 DELEGATE DUDLEY: Here.
9 MR. CURRIN: Delegate Hogan?
10 DELEGATE HOGAN: Here.
11 MR. CURRIN: Delegate Johnson?
12 DELEGATE JOHNSON: Here.
13 MR. CURRIN: Senator Puckett?
14 SENATOR PUCKETT: Here.
15 MR. CURRIN: Senator Ruff?
16 SENATOR RUFF: Here.
17 MR. CURRIN: Secretary Schewel?
18 SECRETARY SCHEWEL: Here.
19 MR. CURRIN: Mr. Thompson?
20 MR. THOMPSON: Here.
21 MR. CURRIN: Mr. Walker?
22 MR. WALKER: (No response.)
23 MR. CURRIN: Senator Wampler?
24 SENATOR WAMPLER: Here.
25 MR. CURRIN: Mr. Vice Chairman?
26 DELEGATE KILGORE: Here.
27 MR. CURRIN: Mr. Chairman?
28 SENATOR HAWKINS: Here.

29 Dr. Braaten, thank you for your wonderful hospitality. The school is
30 absolutely gorgeous, new construction really is showing up well, too. I think all of you
31 have taken this to an entirely different level, and I believe things take place in with the
32 right person at the right time for this school.

33 DR. BRAATEN: I appreciate that.

34 SENATOR HAWKINS: And I understand you'd like to say
35 a few words to the Commissioners.

36 DR. BRAATEN: I'd like to say thank you and just
37 welcome to all of you and just try to say hello personally to everybody. We're so glad
38 you're on the campus. Thank you for your great work, and we just want to say thank you
39 from the community of Ferrum and Ferrum College.

40 Real quickly about Ferrum College, you can't help but ----- college
41 president ---- can't help ourselves but just so you know. We were founded in 1913 for a
42 literacy outreach to mountain children, and we've continued with an incredible mission
43 vision ever since to provide education in this part of Virginia. We were a junior college,

1 you probably know that, for a while now of course we're a four-year institution looking to
2 do graduate level, currently a thousand students.

3 The big thing I like to brag about is eighty-five percent of our
4 students come from Virginia. That's remarkable. Another thing I like to brag about,
5 ninety-five percent get financial aid, and we give a tremendous amount of aid
6 institutionally, because we are the most affordable private college in Virginia as well.
7 That's important to us, opportunity, accessibility and affordability.

8 The other thing important, two-thirds of our students, first generation, first
9 generation, so we're continuing that important impact in terms of families. The other
10 thing very, very important, many of our alumni, of course, because they're from Virginia,
11 stay in Virginia.

12 I'd like to talk about the brain gain. You're not losing folks, after you
13 educate them, they're staying here. They go into business, criminal justice, public
14 service, teacher education and the health careers, which are our five biggest majors, and
15 so we're very grateful, including those in public service like Allen Dudley and Carthan
16 Currin and the others who are in the Assembly. So, we're very, very proud of that kind of
17 outcome.

18 Welcome to you all. So, I'm just saying hello very briefly.

19 Just a real quick final comment. Three years ago we went to the Tobacco
20 Commission and got a two hundred fifty thousand dollar grant for the Blue Ridge
21 Foundation, which is an entity that comprises Ferrum Village, the College, people from
22 Franklin County, individuals from Smith Mountain Lake. Just so you know how that
23 money has been used. We leveraged, maximized that money. We took a hundred fifty
24 thousand dollars of that money of the two hundred fifty thousand, traded plans, surveys,
25 professional presentations, did marketing analysis, turned that one hundred fifty thousand
26 into a fourteen point six million dollar loan from the United States Department of
27 Agriculture, the biggest loan they have ever made to any entity.

28 In that capacity, what we created then were seven building projects in and
29 around the campus, including this Conference Center space for Franklin County, which
30 would be the largest area for them to gather from the county. So it was really a
31 collaborative effort with the county and the region.

32 The other half of that money, just so you're knowing, again, how that
33 money is leveraged and maximized. I'm somebody who came from a business
34 background. It's important for me to talk about that. And that is, we have taken the
35 remaining one hundred thousand, and we have now got plans for the revitalization of the
36 Ferrum ---- community. One of our native sons, entrepreneurs, who is a multi-multi
37 millionaire, an Orlando businessman who has been developing communities there for
38 many years, is bringing those resources here and wants to probably, again, we're still in
39 the final stages of talking about that, but probably he and his partners investing up to ten
40 to twenty million dollars in commercial investment in the region. That's maximizing two
41 hundred fifty thousand dollars in a rather dramatic way, and we thank you so much for
42 giving us the seed money to do that.

43 I will obviously come back to the Commission at some point, because we
44 have other plans to do for tourism that we think are really critical here. You may know

1 about the Blue Ridge Institute. The Blue Ridge Institute has been here thirty years, and it
2 is the Blue Ridge Center for archival material, music. Some of you have been to our Folk
3 Life Festival. It brings twenty thousand people a year from the region here, and that
4 building is over there in the other part of the campus on ----- and really quite dramatic
5 right now. I put some things in your packet. They have their Hot Rodding in Virginia
6 exhibit in Richmond right now. We're part of the Crooked Music Trail as well, and so
7 that's very important to us to continue that. I have a White House Preservation Award
8 from Laura Bush. Last year the Blue Ridge Institute was one of three entities nationally
9 to receive that award, first time it was given. We thought that was pretty remarkable.

10 The other thing we have is tourism out here. It is an autonomous entity
11 that we're very proud of, and everyone is promoting the theater, and that's the Blue Ridge
12 Dinner Theater, twenty-five years in existence. Put something else about that in your
13 materials, as well. That has the playwright, Brett Stevenson, the most prolific living
14 Virginia playwright today. He has written thirty-five plays, from the region. And the
15 Jack Tale Place, some of you may or may not know that it is America's oldest
16 continuously operating children's theater, America's, not just the region's. So we think
17 that's pretty dramatic, and a wonderful asset and entity that we also support.

18 So we're very excited about what you have done. Just so you know, your
19 dollars have made a tremendous difference, and we're deeply grateful, especially when
20 we talk about education, economic development and making a tremendous impact in this
21 part of the Commonwealth and this part of the region, nothing could be more important,
22 and so we're deeply grateful. Thank you, so much, Mr. Chairman, and thanks to all of
23 you for being here. We're excited to have you on our campus. We hope you can stay, if
24 you have any time, I know some of you took a harrowing ride here and are convinced you
25 never want to come back, but we're grateful when folks do make it down that mountain,
26 whatever way they can. Thank you so much.

27 SENATOR HAWKINS: Thank you, ma'am. Everything
28 that you talked about was exactly the reason this Commission was formed to create that
29 economic advantage.

30 SENATOR WAMPLER: Mr. Chairman?

31 SENATOR HAWKINS: Yes, sir.

32 SENATOR WAMPLER: --- the record straight. Dr.
33 Braaten spoke of the many distinguished alumnus of this institution. I believe that there
34 was one that maybe is a statistical anomaly (laughter) --- not mentioning any names.

35 MR. CURRIN: Mr. Luke just came in, Mr. Chairman.

36 SENATOR HAWKINS: One of the reasons that we're here
37 tonight is that it was suggested by Delegate Dudley that we come to Ferrum because it is
38 an area that we have not been in, and I want to thank Allen for the opportunity to be able
39 to arrive at this wonderful destination. Allen, since this is your home, do you want to say
40 anything?

41 DELEGATE DUDLEY: I think Dr. Braaten covered it very
42 well, the only comment I had, Carthan expressed to the student body, I said Carthan you
43 had a little different position at Ferrum than I did when I was a student here. I never got
44 to spend a lot of time in this room. Certainly the progress Ferrum has made over the

1 years and continuous growth that's planned for this community is something that I think
2 we all have a right to be proud of, and tying it in with the Crooked Music Trail and what
3 was already here for years with the Blue Ridge Museum, I think was great, a great step
4 for us. Thank you.

5 SENATOR HAWKINS: Now, we hear about the various
6 things that we're doing as a Commission, but it's also very helpful for us to be able to see
7 actually what is taking place and the money that we are investing, and this is a good
8 example of what you can do in a community.

9 We've got a couple of things we need to talk about today before we get to
10 the Education Sub-Committee requests to be able to do some funding, I'd like to open it
11 up for discussion on a mission statement. We've been in existence for several years now,
12 and it seems that everyone is developing their own mission statement, and we need to
13 have a uniform statement that states categorically the mission of this Committee and
14 Commission. And, I would like to have some suggestions from the Executive Committee
15 what we could ask Staff to try to put together for us to present to the next full meeting of
16 the Commission as an adopted mission statement for the entire Commission to use as a
17 foundation block as we go forth in the rest of the time that we're in existence.

18 Any suggestions on what we need to be dealing with? Economic
19 Development, of course, is a primary thrust of what we're dealing with today.
20 Indemnification of the farming community is pretty much a known entity that we're
21 dealing with. We have that set down in the pay-out for the next ten years. But we need
22 to have some sort of mission statement,
23 in my mind, so there's not any ambiguity in people's discussions about what
24 we're about. Yes, sir.

25 DELEGATE HOGAN: I just was trying to decide what
26 you said if this was the appropriate time to deal with it or not, not to be saying nice things
27 about my friend Carthan, but since he's going on to what might be called bigger and
28 better things, since he's going on to other things, I think it's going to be critical for the
29 next six months, and for a while because I think he's served as, I think, keeping in touch
30 with all this talk about what we're looking for to just sort of create that vision, and that's
31 really helped with that. Since he's not going to be here, we're going to be faced with this,
32 and from my perspective at least, in terms of what I've seen in serving on the Technology
33 Committee, it's going to be something we're going to have to deal with, and since it's not
34 going to go away, if we don't get it straight it's going to cause us a problem.

35 SENATOR HAWKINS: Well, we all need to get on the
36 same page and start looking at the thrust behind the monies that we invest, and I think
37 that we need to have some sort of understanding about how we approach economic
38 development.

39 Does anyone have any suggestions about what we could include in a
40 mission statement?

41 This is the shyest crowd of people I've ever been around. Yes, sir.

42 DELEGATE DUDLEY: I think the mission statement itself
43 needs to be broad. I don't think we need to get into the goals and objectives. But I would
44 like to see something included in there, something I've heard you say many times, our

1 objective or our mission is really to transform the economies of Southside and Southwest
2 Virginia to deal with the future.

3 SENATOR HAWKINS: Create an environment for
4 economic development in the tobacco dependent regions of Southside and Southwest
5 Virginia, to create an environment that would encourage the generations that are growing
6 up here to be able to stay home, to find the type of job and opportunities that they would
7 expect from other locations, to be able to develop the infrastructure that we need to be
8 able to challenge investments to create new ownership and create new wealth structures.
9 I mean that's the type of thing we need to do, I think, at this juncture.

10 When we first started in the Tobacco Commission we were fairly narrowly
11 focused in what we could work with on our local governing bodies to do various things.
12 Most governing bodies now have pretty much exhausted their wish list, now they are
13 starting searching for things that they can invest in that doesn't necessarily come up to the
14 standard that we had at one time. So we need to make sure that we are not lowering those
15 expectations that we had put in place when we first began this mission.

16 Ned, can you work with Staff to come up with some sort of understanding,
17 knowing the discussions in the Executive Committee and the Full Commission of what
18 our intentions have been when it comes to formulating some sort of mission statement?

19 MR. STEPHENSON: Yes, sir.

20 SENATOR HAWKINS: And, if you will get that together,
21 and I'll get a copy to all of us so we can look at it before we present it to the next
22 Commission meeting. I think it would be helpful. If anyone has any suggestions of what
23 should be added or deleted to a mission statement, if they'll get in touch with Ned I think
24 we can probably go a long way to get that done. Okay. Thank you all.

25 Frank, you need money. How much? Why do you need that money?

26 SENATOR RUFF: We prepared the budget in anticipation
27 of securitization. All of the programs were cut back some. We ended up with nine point
28 five million. We had prior approved three point eight for Scholarships to four-year
29 colleges, simply the logistics of allowing them to get that in place for the students before
30 it was the crunch at the last minute.

31 At the Committee meeting, and what you all approved, it was the last Full
32 Commission meeting, the Committee wanted to continue to give the community colleges
33 four hundred thousand apiece times seven, which is two point eight. That left us with
34 two point nine. There was a great deal of concern that with our system of scholarships if
35 we were working that far ahead of the money that we ought to be fiscally responsible to
36 try to catch up some there. The decision was to catch up of the two point nine, with two
37 point eight of it. So we're still behind one million dollars. We have one hundred
38 thousand dollars in the Committee.

39 My belief is that if we have other committees that have cash that we ought
40 to go ahead and try to fulfill the responsibility of the Commission, and then if this
41 Executive Committee feels like that there should be any money left in the Education
42 Committee for these projects that
43 have funded, the nursing teaching programs and things like that, it needs to
44 be done in order to finish.

1 SENATOR HAWKINS: Well, you've been out of sync
2 from the beginning, haven't you? I mean the scholarships and the money available have
3 not been in tandem.

4 SENATOR RUFF: Right. The scholarships have been,
5 we've been awarding them before the money came in.

6 SENATOR HAWKINS: Okay. So this just gets you lined
7 up with the flow of money?
8 Mr. Secretary.

9 SECRETARY SCHEWEL: Mr. Chairman, excuse me for
10 having forgotten but, Senator Ruff, it would be helpful to me if you could re-remind me
11 of what the scholarship money goes for. I know, my recollection is that in Southside it's a
12 loan, and the loan is forgiven if the person returns to the community for some period of
13 time. In Southwest, I believe, is it a grant?

14 SENATOR RUFF: Yes.

15 SECRETARY SCHEWEL: It's a grant, and Pell is a
16 thousand dollars?

17 MR. CURRIN: Mr. Chairman?

18 SECRETARY SCHEWEL: Yes, sir.

19 MR. CURRIN: I think we increased it, Mr. Secretary, it's
20 fifteen hundred now. It's open-ended.

21 SECRETARY SCHEWEL: Okay, and is that need-based at
22 all, or is it simply relationship, that is if they have, if they're the son or daughter of a
23 quota holder or grower, producer, ----

24 SENATOR RUFF: That's the only requirement.

25 SECRETARY SCHEWEL: So, it's not need-based.

26 SENATOR RUFF: That's correct.

27 SENATOR WAMPLER: Mr. Chairman.

28 SENATOR HAWKINS: Senator Wampler.

29 SENATOR WAMPLER: Just to clarify the way that we
30 hear from the colleges is that they will run that through the financial aid office and draw
31 down all other dollars first, but the practical application is that, yes, most all applicants
32 are awarded the full amount of money.

33 SENATOR RUFF: ----- need related anyway.

34 SENATOR WAMPLER: I don't want to say that it would
35 pass the test of needs related, but the practical application is all other dollars are
36 exhausted when there is still a balance remaining -----

37 SECRETARY SCHEWEL: And then the nursing program,
38 is that --

39 SENATOR RUFF: It'd under a competitive system we
40 have funded. Individual programs are put in one pile -----

41 SECRETARY SCHEWEL: The funding for the
42 community colleges, is that done without strings, or is that done, here's four hundred
43 grand, do with it what you will, or is that here's four hundred grand, we want you to do a
44 nursing program, we want you to do a motorsports program?

1 SENATOR RUFF: They are required to have a plan, and
2 we check back to make sure that they follow that plan, but it is not
3 --- We have not said no to too many things.
4 MR. CURRIN: Mr. Chairman?
5 SENATOR HAWKINS: Yes, sir.
6 MR. CURRIN: ---- Mr. Secretary, in the past we have
7 asked community colleges to craft a plan based on their particular need and what they felt
8 the money would be best used for, and that's been a variety of things. There's been a
9 mixture of programs that have been created, the motorsports program out of Patrick
10 Henry, the truck driving program out of Southside. There have been many programs.
11 SENATOR HAWKINS: I think the thing, too, we have to
12 remember is that with the great diversity of our community colleges and the areas they
13 represent, they need as much flexibility as possible to try to come up with unique niche
14 market things that they can do to help the areas, and by having some flexibility with these
15 monies they've been able to develop these little niche markets, and as I reviewed most of
16 the accomplishments of the community colleges I could see a lot of innovative thinking
17 going on, and I think that's something to be proud of pretty much.
18 SENATOR RUFF: Mr. Chairman?
19 SENATOR HAWKINS: Yes, sir.
20 SENATOR RUFF: In addition to that, each one of them to
21 a varying degree is offered some money in scholarships to the community colleges.
22 Again, they go through the Pell grant process, a significant part of it is scholarships.
23 DELEGATE HOGAN: Mr. Chairman?
24 SENATOR HAWKINS: Yes, sir.
25 DELEGATE HOGAN: I want to ask a question. A portion
26 of that, I understood at the most is four hundred thousand dollars, the piece they're using
27 for programming, therefore it has to be nonsecuritized funds, right?
28 SENATOR RUFF: Yes.
29 DELEGATE HOGAN: To the extent that's not true ----
30 SENATOR RUFF: Mr. Chairman, the vast majority of it is
31 for operations. There may be some exceptions, but for the most part, starting the nursing
32 program or the heavy equipment program or the scholarships. I would say probably
33 ninety percent of it is ----
34 SENATOR HAWKINS: That brings up a good point, too.
35 We have to be very careful now how we manage these monies to make sure we get the
36 maximum benefit of the securitized piece as opposed to the nonsecuritized, and I think
37 every one of these programs needs to be reviewed to make sure that we're getting the
38 maximum benefit from the monies we have.
39 DELEGATE HOGAN: To get the community colleges to
40 pull together, what they're using this money for to the extent they can have flexibility to
41 give us at least a piece of their funds as unsecuritized or securitized eligible money, that's
42 a big chunk of our nonsecuritized funds.

1 SENATOR HAWKINS: I think this point is well taken,
2 and we'll have to ask counsel, Frank is on the phone, to help us through this, because this
3 is an area that we haven't been in before, and to
4 have the stuff defined to make sure we understand what monies can be used
5 for what purposes.

6 SECRETARY SCHEWEL: Mr. Chairman?

7 SENATOR HAWKINS: Yes, sir.

8 SECRETARY SCHEWEL: Maybe since this is the last
9 time this issue will come up when I'm sitting in this job I want to just at least raise one
10 point that I suspect that almost everybody in this room disagrees with. I think that we
11 should consider getting rid of the scholarship program, and the reason is relatively
12 simple. The scholarship program is a double indemnification of tobacco funds. Six point
13 six million dollars a year is going to the sons and daughters of tobacco growers, quota
14 holders, producers, et cetera. Over here we are at least ostensibly indemnifying them for
15 the income loss they have incurred because of the loss of their tobacco quota. So we're
16 saying, okay, we're going to make you whole over here, just as whole as you were before
17 these drops in the tobacco indemnification ----. And then over here we're going to say,
18 now that we've made you whole, on top of that we're going to give you six point six
19 million dollars for scholarships to your children. I respectfully suggest that we are
20 paying them twice for the same loss, and that that ain't a good idea.

21 SENATOR HAWKINS: And now as Paul Harvey says, for
22 the rest of the story.

23 SENATOR RUFF: Two pots, Southside's pot and
24 Southwest's pot, I'll let somebody from Southwest talk about, but in Southside it has
25 absolutely nothing to do with growing tobacco. It is for the region; whether you have
26 ever seen a tobacco plant is irrelevant. If you grew up in one of the tobacco counties, and
27 you make a commitment to come back in any one of those counties to bring the
28 knowledge and education. So we're not taking care of them unless they happen to be,
29 some of them are, but that is not the criteria.

30 SENATOR HAWKINS: Mr. Secretary, I think when we
31 originally started discussions that was one of the things that was in the discussion, but it
32 was expanded almost immediately to make sure that we brought everyone under the tent,
33 so it is not as narrowly focused. Southwest Virginia ---

34 DELEGATE HOGAN: They like it the way it is.

35 DELEGATE KILGORE: I mean, we do, and the thing
36 about it is, I guess I can speak for Joe and William and others from Southwest Virginia,
37 that this is one of the, I think this is one of the, I think this is recreating an economy down
38 there. We're sending kids to school and helping them with their assistance. I don't know
39 how many times folks have come up and said, you know, this has helped me go back to
40 school and, you know, I think it's money well spent. I think the two Senators over here
41 would feel the same way.

42 SENATOR HAWKINS: Let me underscore something,
43 too. Remember on the burley side, the acreage is very, very low.

44 DELEGATE KILGORE: Very.

1 SENATOR HAWKINS: And most of the people that are
2 dealing with burley tobacco were not making an income level that could be justified as
3 any sort of windfall when they started receiving checks from us. So this helps those kids
4 stay in that area and creates some sort of educational foundation to build on. And it's a
5 different, when you've got just a few pounds of tobacco, it's not like flue-cured. Flue-
6 cured is a different world when it comes to that. We have a much larger poundage to start
7 with, so you're looking at a different market in my mind.

8 Any other questions?

9 MR. BRYANT: I have a question for Senator Ruff. The
10 difference in the question that you presented Secretary Schewel, I was unaware that
11 Southside had that, had a different formula from Southwest, I was aware, excuse me. My
12 question to you, Senator Ruff, is the one part that seems to be deficient in Southside has
13 been some of the money that's coming forth from the colleges for scholarships because
14 most of the calls that I have gotten have said we're turned down, it does not seem -----.
15 It's not just from tobacco dependent children. I just wondered if that has been addressed
16 and do you think it's at a level that is acceptable to the --

17 SENATOR RUFF: Mr. Chairman, I don't know what the
18 proper level is. I suspect that there is far more demand than there is supply. When we
19 started the program we limited it to teachers, and we did it in about a thirty-day period for
20 that first school year. The next year we had more time for planning, they still didn't use
21 all the money for the first two years. This year we really changed the formula, we got the
22 information out there early, we opened it up to not just teachers but anybody who would
23 bring any of that expertise back to Southside Virginia.

24 MR. BRYANT: So you do not have the limit, the limit is
25 not put on just the criteria?

26 SENATOR RUFF: No, that was taken off, and we didn't
27 know what was going to happen, but from what I'm understanding we did run out of
28 money, and so, yes, there is more demand than supply, but we need teachers, we also
29 need -----.

30 MR. BRYANT: Are the schools using those funds for other
31 areas and maybe not putting enough toward funding scholarships?

32 SENATOR RUFF: The money goes with, you're talking
33 about the four-year scholarships?

34 MR. BRYANT: That's what I'm talking about.

35 SENATOR RUFF: The money goes with the young
36 person. They have to be accepted at the college, and then they have to go through the
37 financial qualifications. Some colleges got mad at me the first year, said that any other
38 money came first, whether it be government money from Pell grants, or whether it be
39 institution money where there is a trust account that offers some scholarships, this had to
40 come after all of that. The scholarship money that any of the community colleges were
41 putting out they want to do the same way, and I'm not sure, each one of them is doing it a
42 little bit differently.

1 SENATOR HAWKINS: Frank, have we been in business
2 to have some sort of track record as to what we're actually accomplishing when it comes
3 to retention and graduates and all those things, do we have any sort of paper trail?

4 SENATOR RUFF: Mr. Chairman I'm not sure we have a
5 paper trail yet. I see a lot of young people that are coming back to teach, but whether that
6 is just the economy or what I don't know. Some of them didn't get it for the whole four
7 years, some of them got it one year, some of them got it two years.

8 SENATOR HAWKINS: I think it would help to get a little
9 snapshot from the colleges to find out exactly what we are doing.

10 SENATOR RUFF: Ned, did the Staff come up with
11 anything?

12 MR. STEPHENSON: I'm told orally by Rachel Fowlkes,
13 who administers the program, that to date they have about thirty-five students who owe
14 the money back to Southside because they chose to go elsewhere to work.

15 MR. BRYANT: What percentage of that is out of the ones
16 that participated in the program?

17 SENATOR WAMPLER: Mr. Chairman?

18 SENATOR HAWKINS: Yes, sir.

19 SENATOR WAMPLER: It just seems to me that we could
20 replay the tape from a couple of weeks ago on the Technology debate about how the
21 regions are going about their business, and I would say that Senator Ruff's committee is
22 probably doing the best it can with the dollars that we give them. What I do know is that
23 it is under-funded, and that if we were to provide more money to educational
24 opportunities, whether it was through the different structure that Secretary Schewel
25 represents or programmatic, funding rather than following the students. Age is no barrier.
26 My phone rings off the wall when a press advisory goes forward about opportunities for
27 folks to reenter the educational system, whether it's the traditional student or the non-
28 traditional student, whether they're coming back to the community college using the
29 scholarship, whether they're using operating funds that we give them. So I would say that
30 we're probably doing the best we can within the budgetary constraints that we have, and
31 that if we want to do some strategic planning as to how, what other niches we want to try
32 and solve probably is the better way of doing it rather than appropriate X amount of
33 money. But I will guarantee you that the appetite and the desire is there to increase those
34 educational opportunities.

35 SENATOR HAWKINS: Well, and also, let's remember that
36 we're dealing with a population that education has not been the driving focus of life up
37 until this time, that the jobs that we provided in this area were tobacco, textiles, coal
38 mining, all those things that didn't necessarily require a high degree of education, and
39 we're having to have an understanding today's market is an entirely different driven
40 situation. If you look at our demographics we have probably the highest percentage of
41 population without high school diplomas, highest degree of population with less
42 representation of master's degrees and doctoral degrees and all the things you're talking
43 about than probably any other regions of the state. So what we're doing is just beginning
44 to address an iceberg that is mostly submerged from our view, and it's going to take us a

1 long time to really get a handle around it and change a cultural attitude that has to start
2 with the people who are finding themselves on the unemployment line with no hopes and
3 no opportunity except going back to school, and what I am told, that once these students
4 get back into situations where educational opportunities are there, their performance rates
5 are excellent. They do better than anyone else, and so we've got a very intelligent
6 population that just has not had the need nor the opportunity to do what needs to be done.

7 Yes, sir.

8 DELEGATE KILGORE: What do we need to do?

9 SENATOR HAWKINS: Well, I think, number one, we've
10 got to go ahead and address the situation. This million dollars brings things back into
11 sync, and we've got to figure out exactly where we can get it from. Can we have
12 recommendations from you all to transfer the money from where to where? Does anyone
13 have any suggestions?

14 SENATOR WAMPLER: Mr. Chairman, how much money
15 do we, it sounded to me like we need a million dollars today to settle the cashflow
16 problem.

17 SENATOR RUFF: If we want to be fiscally responsible, a
18 million dollars would bring us into sync.

19 MR. STEPHENSON: That's correct, and to be technical
20 about it you have a hundred thousand dollars, so nine hundred more would make it a
21 million.

22 SENATOR WAMPLER: Mr. Chairman?

23 SENATOR HAWKINS: Yes, sir.

24 SENATOR WAMPLER: I know that Special Projects has
25 probably the largest balance but I'm not sure as to what the securitized versus
26 unsecuritized portion would be.

27 MR. STEPHENSON: The unsecuritized portion is four
28 million and a little bit, and the securitized balance is just shy of twelve million dollars.

29 SENATOR WAMPLER: If it's not going to the needs of
30 the other sub-committees, it would seem to me appropriate for, if Senator Ruff wanted to
31 make a motion I would support it, to transfer the nine hundred thousand dollars from
32 Special Projects to Education. The recommendation would be to the Full Commission at
33 the October meeting.

34 DELEGATE KILGORE: But if you only transferred nine
35 hundred thousand that leaves you with a net balance of zero, is that correct?

36 SENATOR RUFF: Mr. Chairman, that takes care of one of
37 the two issues of getting it in balance, then the question is does the Executive Committee
38 believe that we can do anything worthwhile with any more money in the Education
39 funds, and that's, you know, I believe we can. I did not agree with the Committee's
40 decision to be completely ---- responsible. I said, let's split the difference, let's take care
41 of half the problem this year and half next year so we would have some money to work
42 with.

43 SENATOR HAWKINS: Well, there's flexibility, because of
44 the indemnification payments on Phase 2 we may ----- a couple of million dollars that

1 have not been allocated to any of our committees or any of the projects. We may want to
2 set some of that money aside for Education, too, but that will be known when, Carthan?
3 DELEGATE HOGAN: Mr. Chairman?
4 SENATOR HAWKINS: Yes, sir.
5 DELEGATE HOGAN: I have no objection to anything
6 that's been suggested here, but to the extent we've got this unsecuritized/securitized issue,
7 if we can get the community colleges to swing some of their two point eight million
8 dollars to things that we can use securitized funds for, it would certainly make this a
9 whole lot easier to deal with. I think we're almost going to have to do that moving
10 forward if we're going to handle, ----- Technology zero unsecuritized funds, and it's
11 going to create some problems for a lot of folks, and so the first time coming up, it seems
12 we could push these community colleges ---
13 SENATOR HAWKINS: -- Well, that's a discussion for, it's
14 going to take more involved conversation probably than we have time today. We need a
15 million dollars to get the problem squared away with the Education Sub-Committee, and
16 the transfer of nine thousand dollars and a hundred thousand dollars will give you your
17 million dollars to solve your problem?
18 SENATOR RUFF: That would take care of that.
19 SENATOR HAWKINS: That's probably all we're going to
20 be able to do right now, until we find out all the ins and outs of what we can do and
21 cannot do.
22 SENATOR WAMPLER: Mr. Chairman, I think Delegate
23 Kilgore's, Senator Ruff's comments we should transfer a million.
24 DELEGATE KILGORE: That's what I was thinking, we
25 ought to transfer one million.
26 SENATOR HAWKINS: It's been moved for a million to be
27 transferred from Special Projects. Is that seconded?
28 SENATOR WAMPLER: Mr. Chairman?
29 SENATOR HAWKINS: Yes, sir.
30 SENATOR WAMPLER: I think it's up to the Full
31 Commission to do. I don't know that in the Executive Committee we can do that. We
32 have to make a recommendation to the Full Commission.
33 SENATOR HAWKINS: Any discussion or
34 recommendation? Yes, sir, Mr. Secretary.
35 SECRETARY SCHEWEL: We have committed money for
36 the Scholarship Fund that we have not funded, is that what we're saying?
37 SENATOR RUFF: Last January we committed money
38 before the budget was determined for this fall. What we're now doing is setting aside
39 money in this budget for what would be spent.
40 SECRETARY SCHEWEL: Based on what we anticipate
41 the applications would be, or based on what we know the flow of money will be?
42 SENATOR RUFF: Mr. Chairman, we know it will be more
43 than that.

1 SENATOR HAWKINS: It just gets us out of a bind. Any
2 more discussion? It's been moved and seconded a million dollars be transferred from
3 Special Projects to Education. Call for the question. All in favor say aye? (Ayes.)
4 Opposed? (No response.) Motion carries. Recommendation unsecuritized portion.

5 Anything else to come before the Full Commission? Any public
6 comments? I mean before the Executive Committee.

7 Before we leave, on your desk I just noticed we have a fairy stone, a
8 unique piece of rock. Two places in the world that you can find these, it says here on the
9 Blue Ridge Mountains, but also Chile is the only other place in the world where you can
10 find these little rock crosses.

11 Jennifer, do you happen to know is this actual fairy stone, or is this one
12 manufactured?

13 DR. BRAATEN: Actual fairy stone, it did come from Fairy
14 Stone Park, the way they're found in nature, and then we just have a company that
15 produces a little thing that you can use them in any way that you like.

16 SENATOR HAWKINS: The tragedy is that they grind up a
17 lot of these and put them in molds to make them for the tourists.

18 DELEGATE KILGORE: Mr. Chairman?

19 SENATOR HAWKINS: Yes, sir.

20 DELEGATE KILGORE: I would note that it is said to
21 bring good luck and to ward off sickness, accidents and other ill fortune, right, Senator
22 Wampler?

23 DR. BRAATEN: We hope that everybody at least can use
24 that. Mr. Chairman, I have one other comment.

25 SENATOR HAWKINS: Yes, ma'am.

26 DR. BRAATEN: I want to make a special presentation to
27 Carthan Currin on behalf of our Alumni Association for your Executive Director.

28 (Applause.)

29 SENATOR HAWKINS: Is that a copy of that outstanding
30 warrant to Ferrum?

31 Yes, ma'am. Would you like to make a comment?

32 MS. MORGAN: I'm Sally Morgan, I'm Economics
33 Development Director for the county and I, Christie and I both welcome the opportunity
34 to speak to you today on an issue that we've focused nearly a hundred percent of attention
35 on over the last several months, and that is the workforce development needs of our
36 employers, particularly our manufacturers. I'm sure that you have heard that the
37 unemployment situation which in 2002 had risen to a crisis stage in this county has
38 greatly improved, resulting in some of the lowest unemployment rates that we have ever
39 experienced, under five percent over the last six months. We attribute this good news to a
40 combination of efforts, including the help of the Tobacco Commission on several key
41 projects, and we really thank you for that much-needed assistance. We had some very
42 good project funds from TROF money, as well as additional money, there were several
43 projects funded.

1 Now, however, as a result of growing employment opportunities in both
2 Washington and Smyth Counties, our ----- are experiencing very difficult to hiring the
3 workforce that they need. It's such a good problem to have. There is a definite skill gap
4 that is not being met, including hard skills in jobs like welding, machining, maintenance
5 mechanics, mechanical maintenance, but more often ----- workforce readiness. Over and
6 over again our local industries have complained that they just do not have enough -----
7 reliability, flexibility, positive work ethics, the ability to communicate with others,
8 understanding of basic math, reading comprehension, motivation to do a good job. We
9 know the extent of the problem, because we have been meeting with the joint steering
10 committee composed from industries in both counties over the last couple of months.
11 We're looking for applying for funding from ---- works program, which the deadline is
12 September 30, trying to address some of our problems. We're looking at including the
13 latest training facilities and programs, and one of the major focuses of our workforce plan
14 of action will be a public relations and education campaign to promote our manufacturing
15 jobs and careers program. Jobs in manufacturing pay better than any other sector in our
16 economy, and there are opportunities for advancement. Manufacturing today requires
17 peer skills, project management skills, communication skills, teamwork, ---- We must
18 combat the widely perceived notion that if someone does not go to a four-year college
19 that they will be a failure in life. Our vocational schools must no longer be the dumping
20 ground for low achievers, we're trying to do some things to change that in Washington
21 County.

22 We must also combat the widely perceived notion that manufacturing is all
23 going overseas. We keep hearing that, but we know that is not true, at least in our
24 counties and the surrounding areas, manufacturing is not dead.

25 We need to promote a career in technical education, talking about middle
26 school and secondary school levels, focus on the needs of our students. Along these lines
27 I'll let Christie from Washington County explain more about the publicity in education
28 ideas we want to implement. We also want to get your feedback on an idea we have had
29 related to the tragedy in the Gulf states, an idea to help those people get their feet back on
30 the ground and also help our industries with their labor shortage.

31 SENATOR HAWKINS: Thank you, ma'am. Christie?

32 CHRISTIE: Thank you, Sally. I just wanted to let
33 you know I had a great ride with Sally over the mountains from Floyd to get to Ferrum
34 today, and I thought for a minute maybe she had been running moonshine for her dad
35 growing up, the way she navigated the roads, but come to find out her dad was actually
36 President here at Ferrum.

37 To follow up on what Sally was saying, we have had a series of three
38 meetings over the last two months with ten of our local industries, five from Washington,
39 five from Smyth. When you have those ten industry leaders around the table, they
40 represent eighty-two hundred employees, between the two counties. Manufacturing is
41 the life blood of Washington and Smyth Counties, and as you said earlier, I'll follow you
42 on a famous quote, what the rest of the story is, you know, in 2000 to 2002, roughly in
43 that time frame there were twelve plant closures, and when you get that message in your
44 local paper, another plant closure, three hundred, another plant closure, two hundred, two

1 fifty, three hundred, five hundred, and you get that message over an extended period of
2 time, the mentality in our region now is, you know, manufacturing is going overseas, it's
3 not a reliable career path for our young people, at the opposite it is actually a chance.
4 Today, as Sally was saying, with our low unemployment our industries are saying they're
5 in crisis mode. They cannot find labor. We have one industry that has told us they could
6 put eighty welders to work today if they had them. And many of them are saying, you
7 know, we need some assistance in training, but we're doing a lot of it in-house, just get us
8 people who are willing to work. That is the message that we're hearing from our
9 industries. So, as Sally was saying, one of the main focuses of our application for the
10 Virginia Works money is a PR campaign, and we're going to target, our target audience
11 for this campaign are local people who are currently in our workforce perhaps
12 underemployed, the emerging workforce, which is our high school students that get, you
13 can graduate from high school and go into the workforce in Washington and Smyth
14 Counties and make an exceptional wage and break that myth that not everyone has to go
15 to college. We also consider our emerging workforce to be those people who are
16 graduating from our community colleges, that you can go straight into the workforce and
17 be promoted and have a lifelong career there. The unemployed new laborers, we want to
18 look at advertising these job openings within a two-hour radius of Washington and Smyth
19 Counties. College degree students who have recently graduated college and left the area,
20 we want to let them know that there are job openings and bring them back here. Mature
21 professionals and migrant workers -----.

22 To do this we're looking at some traditional means of, you know,
23 newspaper, radio ads, TV ads and so forth, but we also realize that a lot of people buy,
24 sell, trade, research, all kinds of things on the Internet, and we need one central Internet
25 site that can post these jobs.

26 As we were beginning to kind of formalize these ideas the tragedy of
27 August 28, Hurricane Katrina, became a reality to all of us, and Sally in preparation for
28 today's meeting with you sent out an e-mail to all our local industries, letting them know
29 that we would be speaking before the Executive Committee of the Tobacco Commission
30 today, and we were really wanting to focus our efforts currently on letting you know what
31 our industries are experiencing and asking for your ideas. But also that there could
32 possibility be some win/win situation, something creative that we could think of to meet
33 this shortage of labor, critical shortage of labor in our region. We did a quick survey last
34 week, and we have the numbers for you today, and all the surveys aren't in yet, and you're
35 looking at six hundred unfilled jobs in the two counties. And we probably just got, you
36 know, fifty percent of our responses back. I mean these are real numbers. We know that
37 the Governor has taken several actions ----- including that of naming a Chief of Staff to
38 coordinate state-to-state efforts in looking at transportation issues. We would just like to
39 suggest that maybe this, in giving someone a place to live and giving someone a car, we
40 are already experiencing ----- Washington County.

41 Jack Washburn, the plant manager in Washington County said, "I'm from
42 Baton Rouge, and I have extended family living there. They're all okay. They informed
43 me a thousand people, and that's just in the Baton Rouge area, are looking for jobs."
44 Many of them have lost their careers, many of them are looking to relocate and find a job

1 elsewhere. Some intend to return, some intend to relocate permanently. If they're going
2 to relocate, then this particular plant manager does think that this could be a unique
3 opportunity for our part of Southwest Virginia to make that match. He said, "I think you
4 would be doing the country a service by bringing some of the people here to fill the jobs
5 that are available," and also that we would help some people that need help and would be
6 grateful, and of course it would help the area ----. He said call him, he wants to be
7 involved in this and help any way he can.

8 So, you know, part of our reason for coming today was just to let you
9 know what's going on with our local industries, and ask if you would be willing to partner
10 with us in perhaps providing matching grants for our Virginia Works application, but then
11 with what happened with Hurricane Katrina, we just want to ask you if our area, and for
12 those of you who have contacts at the state level, especially Secretary Schewel, help us
13 think through this, help us get matched up with the resources and the players so that we
14 can help people who are in need and rely on local individuals. We don't have all the
15 answers, but we know that you are in leadership and perhaps you can give us some ideas
16 back. We do know the response to capturing this available workforce is something we do
17 need ----- to work with ----- make the refugee population of thirty thousand -----.
18 Thirty thousand employees would overtax any city, but eventually they may make their
19 way up 81, and we want to be prepared to match these people with available jobs.

20 SENATOR HAWKINS: Well, you've given us a lot to
21 think about. It's good to hear that problem for a change, rather than the others we have
22 been dealing with, but the availability of a workforce coming from the Gulf Coast, that
23 certainly is unique. And as far as to think how we can handle this, because it certainly is
24 a change from our original mission, but there may be some sort of innovative approach
25 we might be able to come up with. I don't know, but I'm open to anything like everyone
26 in this Commission, there are no closed doors that I know of. Thank you, ma'am.

27 Anything else to come before the Executive Committee? Going once,
28 going twice, we're adjourned. Thank you all.

29
30 PROCEEDINGS CONCLUDED.
31 CERTIFICATE OF THE COURT REPORTER
32

33 I, Medford W. Howard, Registered Professional Reporter
34 and Notary Public for the State of Virginia at large, do hereby certify that I was the court
35 reporter who transcribed the tape-recorded proceedings of the Virginia Tobacco
36 Indemnification and Community Revitalization Commission Executive Committee
37 Meeting when held on Tuesday, September 6, 2005 at 2:00 p.m. in the Founders Room,
38 Stanley Library, Ferrum College, Ferrum, Virginia. **I have transcribed the tape to the**
39 **best of my ability to understand the proceedings herein.**

40 I further certify this is a true and accurate transcript **to the**
41 **best of my ability to understand the tape.**

42 Given under my hand this _____ day of
43 September, 2005.
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Medford W. Howard
Registered Professional Reporter
Notary Public for the State of Virginia at Large

My Commission Expires: October 31, 2006.